



Pete Ricketts, Governor

## N-O-T-I-C-E

TO: All Interested Parties

FROM: Bruce R. Ramge, CPCU, CIE  
Director of Insurance

DATE: September 14, 2020

SUBJECT: Clarified Status of Certain Derivatives Relating to LIBOR Transition

The Nebraska Department of Insurance (NDOI), in recognition of the transition away from the London Interbank Offered Rate (LIBOR) to Secured Overnight Financing Rate (SOFR) by market participants, including U.S. central clearing counterparties (CCPs), is providing this guidance to aid in the transition away from LIBOR toward SOFR.

CCPs will revalue existing swap positions by shifting their discounting rate from the Effective Federal Funds Rate (EFFR) to the SOFR using a one-time special valuation cycle that will include issuing basis swaps. The switch in the discounting rate will change each market participant's risk profile. The purpose of the basis swap is to restore each counterparty's original risk profile in the swap transaction. Market participants have no control over the distribution of the basis swaps to them. This one-time switch in the discounting rate is expected to occur prior to the end of calendar year 2021.

Pursuant to Neb. Rev. Stat. §44-5119(B), if appropriately documented, the NDOI approves the Company holding basis swaps that the company receives as part of CCP's transition to SOFR discounting for a period of up to one year past the CCP switch in discounting from EFFR to SOFR. Appropriate company documentation includes the fact that it has received such basis swaps in connection with the switch in the CCP discounting rate and provides that information to the NDOI, upon request. The one-year period will allow the Company the ability to dispose of the basis swaps in a more orderly fashion.

Questions on this notice should be directed to Justin Schrader, Chief Examiner, at (402) 471-4734 or at [justin.schrader@nebraska.gov](mailto:justin.schrader@nebraska.gov).